

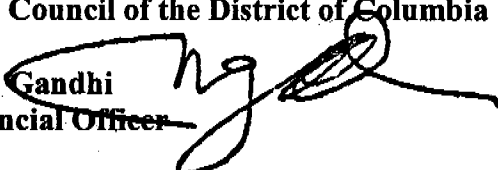
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: JUL 27 2006

SUBJECT: Fiscal Impact Statement: "Square 2910 Residential Development
Stimulus Emergency Act of 2006"

REFERENCE: Bill 16-658 (Revised Version, July 11, 2006)

Conclusion

Funds are not sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. The proposed legislation would result in a negative fiscal impact of \$0.21 million for FY 2007 through FY 2010. The proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend sections 47-857.01, 47-857.02, 47-857.07, and 47-857.09 of the District of Columbia Official Code to exempt from real property taxation residential property described as Lots 35 and 803, and the alley between the two, in Square 2910, situated in the 4100 block of Georgia Avenue, NW. The amendments stipulate that the property on Square 2910, which includes Lots 35 and 803, is exempt from taxation up to a cumulative amount of \$3.3 million. There is no time limit specified for these exemptions.

Exemptions for the developer of the specified property on Square 2910 would be allowed, provided that the first level of concrete is laid by the end of 2007, a certificate of occupancy is issued within 36 months after that time, and ten percent of the housing units shall be affordable to low-income households for 20 years after the certificate of occupancy is issued. In addition to the real property tax exemptions, the proposed legislation would waive all fees for developers of this property for any permits related to the construction of the property.

Financial Plan Impact

Funds are not sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the proposed legislation. The fiscal impact of this legislation will depend on the timeline for construction of the properties on Square 2910 and the extent of increased assessments resulting from economic development generated in the Square 2910 properties. If the construction is completed quickly and assessments rise quickly due to improvements, the property tax exemption could have a larger negative effect on tax collections than the amount estimated in this impact statement. It is likely that a large part of the fiscal impact would occur beyond the FY 2007 through FY 2010 budget and financial plan. The legislation would exempt developments from recordation taxes. It is not possible to estimate the value of future recordation taxes, but this exemption would result in a loss of revenue for the District.

It is estimated that the proposed property tax exemption will reduce property tax collections by \$0.21 million from FY 2008 through FY 2010. The table in Figure 1 illustrates the estimated revenue impact on the District's financial plan. The proposed legislation is subject to the inclusion of its fiscal effects in an approved budget and financial plan.

Figure 1.

Summary Table					
Estimated Impact to the Financial Plan					
(\$ in millions)					
Item	FY 2007	FY 2008	FY 2009	FY 2010	4 – Year Total
Reduced Revenue Collections	(\$0.0)	(\$0.07)	(\$0.07)	(\$0.07)	(\$0.21)